



Oregon

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Affordable Housing Land Acquisition Revolving Loan Program (LAP) Annual Report to Interim Committees of the Legislative Assembly Related to Housing December 1, 2022

In 2017, the Oregon Legislature approved [HB 2912](#) to establish the Affordable Housing Land Acquisition Revolving Loan Program (LAP). LAP was established to assist eligible organizations purchase land for the development of affordable housing. LAP loans are made available to eligible organizations by Oregon Housing and Community Services (OHCS) and have a maximum 8-year repayment timeframe. Loans are repaid upon construction financing and then revolved back into the program for future loans.

HB 2912 (2017) was funded through the repurposing of program dollars (\$2.5 million) and supplementally funded by the Legislature in 2021 (\$20 million). Regulations specify that at least 40 percent of loans shall go to eligible organizations operating homeownership programs for low-income households. The remaining up to 60 percent, including any homeownership funding that was unable to be loaned, shall be loaned to eligible organizations for affordable multifamily rental housing.

Establishing LAP

LAP funding was originally available for application submittal as of November 19, 2018. Consistent with regulatory intent, 40 percent of loan funding was set-aside for eligible organizations operating homeownership programs with the initial six months targeted to rural applicants. The remaining 60 percent (plus any unused homeownership funds) of the loan funds were set aside for organizations operating affordable rental housing for low-income households in rural areas during the initial twelve months of program availability.

The initial LAP fund was fully committed via three loan requests by the end of the first year of availability. In 2021, two of the original LAP loans were repaid, allowing OHCS to reopen the LAP fund with additional resources provided during the 2021 legislative session. The funds were used for an additional three loan applications leaving approximately \$950,000 in a pooled account for new loan requests.

Implementation of 2021-23 Biennium Investments

In 2022, OHCS updated the LAP administrative rules and program manual to be consistent with the regulatory intent of the increased funding awarded during this biennium. By using a needs-based formula that looked at the median year that housing structures were built, the average severe cost burden for housing, and changes to the median income over the last five years in various regions across the state, OHCS created three location based-set asides and a Culturally

Specific Organization/Tribal set-aside. These four set-asides will be in place for one year, through April 2023, at which time they will be reevaluated using updated data from 2021 and 2022, to determine if they need to be adjusted for the next 12 months of program operation.

The new LAP funds opened for applications from eligible organizations on April 1, 2022, using the set-asides categories and allocations listed in the table below.

Set-aside Category	Funds	Percentage of Funds
<i>Culturally Specific/Tribal</i>	\$3,000,000	15%
<i>Portland Metropolitan Service Area (MSA)</i>	\$6,630,000	33%
<i>All other MSAs</i>	\$6,290,000	32%
<i>Remaining Geographic Regions</i>	\$4,080,000	20%
Total	\$20,000,000	100%

Five complete loan applications have been submitted since the re-launch of LAP, with total requests of \$6,977,252. Two of the applications are for future homeownership development, with one located in the Portland Metro region and the other located in another Metro region. The remaining three applications are for future multifamily rental projects, with one each located in the three geographic regions. All applications successfully met requirements and have been awarded loans.

The LAP fund remains open for applications from any eligible organization for either homeownership or rental projects in the following set-asides:

Set-aside Category	Original Allocation	Funds Available as of 11/1/22
<i>Culturally Specific/Tribal</i>	\$3,000,000	\$3,000,000
<i>Portland MSA</i>	\$6,630,000	\$2,730,000
<i>All other MSA's</i>	\$6,290,000	\$5,137,952
<i>Remaining Geographic Regions</i>	\$4,080,000	\$2,155,000
<i>Recycled Funds*</i>	\$2,500,000	\$300,000
Total	\$22,500,000	\$13,322,952

*Recycled Funds can be used in any set-aside category, for either rental or homeownership projects.

LAP is an active program with continual inquiries and interest. As of Nov. 1, 2022, there are two applications asking for LAP loans totaling just over \$4 million. These applications are still under consideration and are not reflected in the above numbers. OHCS anticipates using the remaining funds within the next 12 months, with current economic conditions only increasing demand and cost of land. As such, OHCS has included an additional request of \$10 million in the Agency



Request Budget. Given trends, this may be the last infusion of funds needed before existing program funds allow for continual operation.

Reporting Requirements

ORS 456.502 (13) outlines three performance measures to be established and measured to determine program effectiveness. Those three elements are: (a) The ability of eligible organizations to access land for affordable housing development; (b) The total number of dwelling units by housing type and the total number of low income households and persons served; (c) The financial efficiency of the program as demonstrated by certain factors, including the cost per unit developed for affordable housing units in different areas of this state and a measure of the effective use of funds to produce the greatest number of units for low income households.

Reporting on “the ability of eligible organizations to access land for affordable housing development” is available through anecdotal evidence at this time due to insufficient funding in early program years. The chart at the end of this report details the organizations that have accessed land for affordable housing since program inception. Funding for this program was exhausted in 2019 and upon reopening the program using recycled funds, inquiries for this funding increased and three applications were received between June 19, 2021, and November 8, 2021. An additional \$20 million was allocated and made available for lending in April 2022, with just under \$7 million currently allocated to loans in the first six months. Currently there are two pending LAP applications totaling \$4,008,500 that are being reviewed and inquiries continue to come in.

	Current # of homes under construction	Overall # of homes sold or rented to eligible households.	Total # of homes funded by LAP
Homeownership	24	10	34
Multifamily Rental	364	**	364

**Will be available for rental projects once the units have completed construction and leased up.

At this stage in the program, we are unable to report on the “financial efficiency of the program as demonstrated by certain factors” as only one loan has resulted in a completed project with final financial numbers still outstanding. This timeline is to be expected with affordable housing developments that require many layers of financing and review before developments can break ground.

Given the reach of LAP across the state to develop homes for purchase and rent, OHCS supports the validity of this program. LAP allows nonprofit developers to acquire land with needed capital, allowing them to compete with other developers that are not likely to bring affordable homes to communities.



Land Acquisition Program Loans as of November 1, 2022

Project Sponsor	Location	Date of Application	Application Type	Date of Loan	Amount of Loan	Current Status
NE Oregon Housing Auth	La Grande	4/5/2019	Rural Multifamily	10/4/2019	\$270,000	Repaid LAP loan – 82-unit project currently under construction - 20% complete as of October 2022.
Bend/Redmond Habitat for Humanity	Redmond	5/21/2019	Urban Homeownership	9/12/2019	\$630,000	Repaid LAP loan – 10 home project completed September 2022. All homes have been sold to eligible homebuyers.
NW Oregon Housing Auth	St. Helens	11/8/2019	Rural Multifamily	3/21/2020	\$1,600,000	Repaid LAP loan – 238-unit project currently under construction – 45% complete as of October 2022.
Housing Auth of Lincoln County	Lincoln City	11/8/2021	Rural Multifamily	1/14/2022	\$477,000	Repaid LAP loan – 44-unit project is starting construction November 2022.
PCRI	Portland	7/19/2021	Urban Multifamily	12/23/2021	\$607,500	Loan closed – first annual status report due 2023.
DevNW	Salem	10/28/2021	Urban Homeownership	4/12/2022	\$600,000	Loan closed – Applied for LIFT Homeownership funding in 2022 NOFA round, was awarded and proceeding to closing in early 2023 – 24 homes.
North Bend City Housing Authority	North Bend	4/1/2022	Remaining Regions Rental	9/15/2022	\$1,925,000	Loan closed – Expecting to apply for OHCS funding again in 2023.
Cornerstone Community Housing	Portland	4/1/2022	Metro Multifamily	Expected 11/2022	\$3,000,000	Applied – loan documents approved for legal sufficiency by DOJ, scheduling closing with sponsor & escrow.
Bend-Redmond Habitat for Humanity	Redmond	4/22/2022	Other MSA Homeownership	Expected 11/2022	\$642,600	Applied – loan documents with DOJ.
Cornerstone Community Housing	Springfield	6/9/2022	Other MSA Multifamily	Expected 11/2022	\$509,652	Applied – Loan documents with DOJ.
Habitat for Humanity Portland Metro East	Portland	6/24/2022	Metro Homeownership	Expected 11/2022	\$900,000	Applied – loan documents approved for legal sufficiency by DOJ, scheduling closing with sponsor & escrow.

